Washington, DC - In an effort to protect consumers and prevent future financial crises, Congressman Maurice Hinchey (D-NY) today helped the House pass the Wall Street Reform and Consumer Protection Act, a measure designed to strengthen America's financial regulatory system and safeguard individuals, families and small businesses' financial well-being from unnecessary risk by Wall Street lenders and speculators.

"The recent financial collapse was the direct result of the elimination and weakening of our nation's financial regulations and protections over the last ten years. Wall Street and big banks took advantage of that loosely regulated environment and made risky and irresponsible bets with money they didn't have, leading to the worst financial crisis since the Great Depression," Hinchey said. "This bill helps end the hands-off policies of the past and enacts common-sense reforms to strengthen and modernize our financial regulations, protect consumers and small businesses and hold Wall Street accountable. While I believe more reforms are necessary to prevent future financial collapses, specifically the separation of investment banking and commercial banking, this bill is a great improvement over our current financial regulatory system."

The legislation will create a new Consumer Financial Protection Agency to protect families and small businesses by ensuring bank loans, mortgages, and credit cards are fair, affordable, and understandable. For the first time, the new agency streamlines into one place the role of protecting ordinary Americans' financial security. Importantly, these new regulations focus on the large financial firms that caused the financial collapse and should have little to no impact on smaller community banks.

“Consumers should have the peace-of-mind of knowing that banks and credit card companies will no longer be allowed to sell misleading and risky financial products,” Hinchey said. “We don’t allow companies to sell faulty toasters that can burn down our homes, and we shouldn’t let the financial industry offer mortgage loans to people who can’t afford repayment.”

The bill also creates an inter-agency oversight council that will identify and regulate financial firms that are so large, interconnected, or risky that their collapse would put the entire financial system at risk. These systemically risky firms will be subject to heightened oversight, standards, and regulation. All hedge funds and financial advisors will be required to register with the Securities and Exchange Commission (SEC), where they will be subject to systemic risk regulation by this new financial stability regulator. In addition, the bill regulates for the first time the over-the-counter (OTC) derivatives marketplace, which was the epicenter of the AIG collapse.

Hinchey had offered an amendment that would reinstate the Banking Act of 1933, better known as the Glass-Steagall Act, in order to separate investment banking from commercial banking. The Glass-Steagall Act was repealed in 1999 by the Gramm-Leach-Bliley Act, which paved the way for the establishment of super-sized banks that serve as both commercial lending institutions and investment companies. That amendment was not approved by the House Rules Committee, and therefore was not considered during the debate on the Wall Street Reform and Consumer Protection Act.

"When Glass-Steagall was repealed, it allowed individual banks to serve as one-stop shopping for commercial lending and investment banking. It was a recipe for disaster because these banks were empowered to make large bets with depositors' money and money they didn't really have. When many of those bets, particularly in the housing sector, didn't pan out, the whole deck of cards came crumbling down and U.S. taxpayers had to come to the rescue," Hinchey said. "While I am disappointed that my amendment was not considered during today's debate, I will continue to look for every opportunity to restore these critical protections."

Hinchey is also the author of the Too Big to Fail, Too Big to Exist Act, which would require the Secretary of the Treasury to dismantle any U.S. financial institution deemed to be so big that its potential collapse would undermine the entire U.S. economy. U.S. Senator Bernie Sanders (I-VT) is the author of that legislation in the Senate.